No. 96-1768

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1997

C. ELVIN FELTNER, JR.,
Petitioner,

v.

COLUMBIA PICTURES TELEVISION, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF OF THE INTERNATIONAL ANTICOUNTERFEITING COALITION, INC. AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

PETER W. JAMES*
ANTHONY M. KEATS
LARRY W. MCFARLAND
DAVID K. CAPLAN
BAKER & HOSTETLER LLP
9150 Wilshire Boulevard
Suite 205
Beverly Hills, CA 90212-3411
(310) 385-7500

* Counsel of Record

Counsel for International AntiCounterfeiting Coalition, Inc., amicus curiae

Bowne of Los Angeles, Inc., Law Printers (213) 627-2200

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THE INTEREST OF *AMICUS CURIAE*

The *amicus curiae*, the International AntiCounterfeiting Coalition, Inc. (IACC)[1] is the largest multinational organization representing exclusively the interests of companies concerned with copyright and trademark piracy and counterfeiting. Counsel for both Petitioner and Respondent have consented in writing to the filing of this brief. The IACC is

[1] Pursuant to Supreme Court Rule 37.6, counsel states that counsel for the IACC listed herein authored this brief in whole. No person or entity, other than the amicus curiae, its members, and its counsel made a monetary contribution to the preparation or submission of this brief.

comprised of a cross section of United States industry, including manufacturers of automobiles, apparel, food, pharmaceuticals, children's toys, books, software, motion picture videotapes, and audio recordings. The combined annual sales of IACC members exceed $500 billion, and account for more than ten percent (10%) of the annual United States Gross National Product. The IACC currently has more than 180 members which include Fortune 500 companies, law firms, and business trade associations, all of whom share the common goal of protecting the rights of copyright and trademark holders.[2] Critical to the IACC's purpose is the belief that acts of copyright counterfeiting and piracy can, and do, create severe public health risks and safety hazards, as well as economic harm.

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[2]The manufacturing members of the IACC are Abbott Laboratories, Ross Products Division; Adidas America; Bausch & Lomb; Calvin Klein Jeanswear Company; Calvin Klein, Inc.; Cartier International, Inc.; Champion Products Inc.; Chanel, Inc.; Chrysler Corporation; Coach; Cobra Golf Incorporated; Compar, Inc.; Computer Associates International, Inc.; Dooney & Bourke, Inc.; Dr. Seuss Enterprises, Inc.; Encyclopaedia Britannica, Inc.; Estee Lauder, Inc.; Fila USA, Inc.; General Motors Corporation; Gucci America, Inc.; Guess?, Inc.; Hard Rock Cafe International; IBM Corporation; Levi Strauss & Co.; Louis Vuitton Malletier; Lucasfilm Ltd.; Lyrick Studios; Majorica, S.A.; Merck & Co., Inc.; Microsoft Corporation; MTV Networks; Nautica Apparel, Inc.; NBA Properties; Nexxus Products Co.; Nike, Inc.; No Fear, Inc.; Novell, Inc.; Oakley, Inc.; Octane Boost Corporation; Philip Morris International; Polo Ralph Lauren Corporation; Rolex Watch U.S.A., Inc.; Saban Entertainment, Inc.; SMH (US) Inc.; Southern Audio Services; Taylor Made Golf Company, Inc.; The Collegiate Licensing Company; The Donna Karan Company; The Gillette Company; The H.D. Lee Company, Inc.; The Hearst Corporation; The Limited; The Timberland Company; The Walt Disney Company; Tommy Hilfiger Licensing, Inc.; Tri-Equity USA, Inc.; Underwriters Laboratories, Inc.; Universal Studios Inc.; VF Corporation; Warner Bros.; and Warner-Lambert Company.

SUMMARY OF ARGUMENT

Congress intended that statutory damages under section 504(c) of the Copyright Act of 1976 were to be determined by the judge, and section 504(c) is constitutional because statutory damages are equitable in nature. Congress has recognized that copyright and trademark infringement eliminates United States jobs, poses health and safety threats to United States consumers, is a multibillion-dollar drain on the United States economy, and has been connected with organized crime. Moreover, copyright owners are often frustrated in their ability to establish actual damages. Counterfeiters' records are frequently nonexistent, inadequate, or deceptively kept in order to deflate the level of counterfeiting activity. Because of these concerns, Congress has looked to the equitable powers of the judiciary. Statutory damages are to be determined by the judge in his or her discretion. Because this remedy is equitable, the defendant has no Seventh Amendment right to a jury trial on this issue.

ARGUMENT

I. Under the Plain Meaning of Section 504(c), Congress Has Placed the Award of Statutory Damages for Copyright Infringement Within the Discretion of the Trial Judge.

The first step in reviewing acts of Congress is made according to the "cardinal principle that this Court will first ascertain whether a construction of the statute is fairly possible by which the [Constitutional] question may be avoided." *Curtis v. Loether*, 415 U.S. 189, 192 n.6 (1974); *United States v. Tull*, 481 U.S. 412, 417 n.3 (1987). The first issue, therefore, is whether it is "fairly possible" to construe the Copyright Act to permit jury trials in cases where the copyright owner seeks statutory damages under 17 U.S.C. § 504(c).

Of course, it is axiomatic that statutory construction begins with the language of the statute. *See, e.g., Bailey v. United States*, 516 U.S. 137, 140 (1995). "Our first step in interpreting a statute is to determine whether the language at issue has a plain and unambiguous meaning with regard to the particular dispute in the case. Our inquiry must cease if the statutory language is unambiguous and 'the statutory scheme is coherent and consistent.'" *Robinson v. Shell Oil Company*, 117 S. Ct. 843, 846 (1997) (quoting *United States v. Ron Pair Enterprises, Inc.*, 489 U.S. 235, 240 (1989)). "We have stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there." *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992). The answer to the question before this Court begins with an examination of the language contained in the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.*

Section 504(c)(1) of the Copyright Act of 1976 states in relevant part:

> Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages . . . in a sum of not less than $500 or more than $20,000 as the court considers just.[3]

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[3]Section 504(c)(2) provides for discretionary enhancements or reductions in these statutory damages as follows:

> In a case where a copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its

Feltner argues that the use of the term "court" in section 504(c) was meant to encompass both judge and jury. This reading of section 504(c) is simply untenable in light of (1) the context of section 504(c); (2) the use of the term "court" to mean judge throughout the Copyright Act; and (3) Congress' recent enactment of the Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386 (1996) (the "ACPA").

The use of the word "court" in section 504(c) must be analyzed in the context as it was used by Congress. "Language, of course, cannot be interpreted apart from context. The meaning of a word that appears ambiguous if viewed in isolation may become clear when the word is analyzed in light of the terms that surround it." *Smith v. United States*, 508 U.S. 223, 229 (1993); see also, *Robinson v. Shell Oil Co.*, 117 S. Ct. at 846. The phrase "as the court considers just" requires the "court" to use its discretion in setting the statutory amount. See, H.R. Rep. No. 1476, 94th Cong., 2d. Sess. 162 (1976); *see also*, Andrew. W. Stumpff, *The Availability of Jury Trials in Copyright Infringement Cases: Limiting the Scope of the Seventh Amendment*, 83 Mich. L. Rev. 1950, 1954 (1985) (hereinafter "Stumpff"). This use of the word "court" in connection with the discretionary language of section 504(c) leads to the inescapable conclusion that in the context of the Copyright Act, "court" means judge.

This conclusion is further buttressed by viewing section 504(c) in the context of the entire Copyright Act. For

example, the term "court" is also used in section 502 of the Copyright Act, which provides:

> Any court having jurisdiction of a civil action arising under this title may . . . grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

17 U.S.C. § 502(a). "It is reasonably clear, based on pre-merger doctrines, that a plaintiff seeking only remedies determined by the judge — *e.g.*, injunction . . . — is not entitled to trial by jury. That conclusion applies to the copyright sphere as to all others." 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 12.10[B], at 12-155 (1997). If a copyright owner brings suit under the Copyright Act seeking injunctive relief against an alleged infringer, the case must be heard by the judge and not a jury. Injunctions are equitable remedies which are subject to the discretion of the judge. See *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311 (1982) (discussing a federal judge's wide discretion in granting injunctive relief under the Federal Water Pollution Control Act). Thus, in the context of 17 U.S.C. § 502, "court" means "judge."

Indeed, a review of the other remedy sections of the Copyright Act, contained in Chapter 5, further demonstrates that in the context of the Copyright Act, "court" means "judge." Section 503 authorizes the "court" to use its discretion to impound infringing copies. 17 U.S.C. § 503. Pursuant to section 505, the "court" is authorized to use its discretion to grant attorneys' fees and costs, 17 U.S.C. § 505, an area where this Court has noted that judges have wide "equitable discretion." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). Section 506(b) requires the "court in its judgment of conviction" to "order the forfeiture and destruction or other disposition of all infringing copies." 17 U.S.C. § 506(b) (emphasis added). Finally, section 510(b) authorizes the "court" to "decree that . . . the cable

system shall be deprived of the benefit of a compulsory license." 17 U.S.C. § 510(b) (emphasis added).[4]

A comparison of the language included in section 504(b), which provides for recovery of actual damages, with the language included in section 504(c) (and the corresponding language included in the other sections in Chapter 5 of the Copyright Act discussed above), is also instructive. Congress did not use the term "court" in § 504(b). Rather, section 504(b) provides, in relevant part that "[T]he copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement." 17 U.S.C. § 504(b). "[I]t is beyond dispute that a plaintiff who seeks to recover actual damages is entitled to a jury trial." 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 12.10[B], at 12-155. This section is to be contrasted with the alternative statutory damages provision at issue before this Court, 17 U.S.C. § 504(c), wherein Congress used the term "court." This difference within section 504 is certainly instructive. The use of the word "court" in the context of Chapter 5 of the Copyright Act and indeed in the entire Copyright Act, leads to the inescapable conclusion that "court" means "judge."

That the word "court" means "judge" as used in 17 U.S.C. § 504(c) is solidified by an examination of the analogous statute, the Anticounterfeiting Consumer Protection Act of 1996. In 1996, when presented with the difficulties copyright owners (including IACC members) face in combating counterfeiting, Congress enacted the ACPA. In Section 2 of the ACPA, Congress described the problems faced by IACC members in dealing with counterfeiters and

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[4]Section 508(b), which is not clearly a "remedy" section, uses the term "court" to mean "judge" in that it requires the clerk to provide the Register of Copyrights with the "written opinion, if any, of the court." 17 U.S.C. § 508(b).

the impact of counterfeiting on consumer safety and health and on the United States economy:

> The counterfeiting of trademarked and copyrighted merchandise
>
> (1) has been connected with organized crime;
>
> (2) deprives legitimate trademark and copyright owners of substantial revenues and consumer goodwill;
>
> (3) poses health and safety threats to United States consumers;
>
> (4) eliminates United States jobs; and
>
> (5) is a multibillion-dollar drain on the United States economy.

ACPA § 2. *See also*, H.R. Rep. No. 556, 104th Cong., 2d Sess., §7, at 1-4 (1996), *reprinted* in 1996 U.S.C.C.A.N. 1074. Congress "estimated that businesses in the United States lose more than $200 billion a year today because of illegal counterfeiting." H.R. Rep. No. 556. Congress noted that the United States computer software industry estimates that "sales of counterfeit software exceeded 40% of the industry's total revenues — that is, for every five programs legitimately sold, two illegally pirated copies are also sold." *Id.* As the ACPA states: "Existing Federal law is not adequate to protect consumers and American businesses from the crime of counterfeiting copyrighted and trademarked products." S. Rep. No. 177, 104th Cong., Pt. I (1995). One of the revisions included in the Anti-counterfeiting Consumer Protection Act of 1996 was the amendment of section 35 of the Lanham Act to allow

statutory damages. Thus, section 35, codified at 15 U.S.C. § 1117(c) states:

> (c) In a case involving the use of a counterfeit mark . . ., the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages . . . in the amount of —
>
> (1) not less than $500 or more than $100,000 . . . as the court considers just . . . .

15 U.S.C. § 1117(c).[5] In describing the amendment, Congress defined the term "as the court considers just" as follows:

> This section amends section 35 of the Lanham Act, allowing civil litigants the option of obtaining *discretionary, judicially imposed damages* in trademark counterfeiting cases, instead of actual damages.

S. Rep. No. 177, pt. V(7) (emphasis added); *see also,* H.R. Rep. No. 556 § 7 ("Section 7 amends § 35 of the Lanham Act to allow trademark owners to opt for *judicially determined statutory damages*, rather than actual damages and profits, in civil cases.") (emphasis added). While this amendment did not address the existing copyright statutory damages provision, it does help characterize the type of relief provided by statutory damages in the analogous sections of the Copyright Act. The explanation provided in Section 2 of the ACPA, ("The counterfeiting of trademarked and copyrighted merchandise . . . deprives legitimate trademark and copyright owners of substantial revenue and consumer goodwill. . . .") demonstrates Congress' understanding of one of the important purposes of statutory

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[5]Section 1117(c)(2) permits the award to be increased to $1,000,000 for willful violations. 15 U.S.C. §1117(c)(2).

damages. *See* Anticounterfeiting Consumer Protection Act of 1996 §2. In explaining the amendment, the Senate stated:

> This section amends section 35 of the Lanham Act, allowing civil litigants the option of obtaining discretionary, judicially imposed damages in trademark counterfeiting cases, instead of actual damages. The committee recognizes that under current law, a civil litigant may not be able to prove actual damages if a sophisticated, large-scale counterfeiter has hidden or destroyed information about his counterfeiting. Moreover, counterfeiters' records are frequently nonexistent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in cases extremely difficult if not impossible. Enabling trademark owners to elect statutory damages is both necessary and appropriate in light of the deception routinely practiced by counterfeiters.

S. Rep. No. 177, pt. V(7). Thus, Congress has made it clear that one of the purposes of statutory damages is to replace actual damages because factual support for actual damages is often difficult to prove. Congress' finding in the ACPA makes it clear that this applies to both copyright and trademark owners. Anticounterfeiting Consumer Protection Act of 1996. The equitable purpose recognized by Congress in the ACPA has been repeatedly acknowledged and affirmed by this Court and other federal courts in cases construing statutory damages under the Copyright Statute Act, March 4, 1909, c. 320, 35 Stat. 1075 ("Copyright Act of 1909") and the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* ("Copyright Act of 1976").

In support of their argument that the use of the term "court" in section 504(c) encompasses both judge and jury, Feltner relies on *Curtis v. Loether*, 415 U.S. 189, 192 (1974). As Feltner notes, the Court in *Curtis* stated that

"plausible arguments" supported both the argument that the statute at issue did not provide for jury trials and the argument that jury trials were available under the statute. *Id.* More importantly, however, the Court expressly presented no resolution to these arguments.[6] *Id.* Rather, the Court acknowledged that the first step in right to jury trial questions is to ascertain whether construction of the statute is fairly possible to avoid the Seventh Amendment question, but stated that this test would be "futile" because the Seventh Amendment question was "so clearly settled." *Curtis*, 415 U.S. at 192 n.6. Thus, in *Curtis*, Congress' use of "court" in the statute at issue was irrelevant and not considered by the *Curtis* court.

Similarly, Feltner's reliance on *Lorillard v. Pons*, 434 U.S. 575 (1978), is misplaced. In *Lorillard*, the statute at issue, 29 U.S.C. § 626(b), provided that "the court shall have jurisdiction to grant such legal or equitable relief as may be appropriate." *Lorillard*, 434 U.S. at 579 n.5. In finding that there was a right to a jury trial, the Court relied on the use of the term "legal" to describe the relief available under the statute. *Id.* at 583. It is indisputable that legal relief is the province of juries. *Id.* The use of the term "legal" in 29 U.S.C. § 626(b) made it clear that the term "court" clearly encompassed juries in the context of that statute. This is nothing more than an affirmation that words must be examined in their context. *See, Smith v. United States*, 508 U.S. at 229; *Robinson v. Shell Oil Co.*, 117 S. Ct. at 846. There is nothing in the context of 17 U.S.C. § 504(b) or the Copyright Act which shows that "court" encompasses juries. On the contrary, as set forth above, the

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[6] As this Court stated: "We see no point in giving extended consideration to these arguments, however, for we think it is clear that the Seventh Amendment entitles either party to demand a jury trial in an action for damages in the federal court under § 812." *Curtis*, 415 U.S. at 192.

context of "court" as used in section 504(c) demonstrates that the Copyright Act's use of the word "court" means judge.

Thus, analyzing the Copyright Act's remedy scheme, it is not fairly possible to construe the Copyright Act to permit jury trials on claims for statutory damages. Rather, it is clear that the term "court" refers to the federal judge and his or her equitable powers over injunctions and statutory damages.

II. The Award of Statutory Damages Is Equitable in Nature, Thus the Seventh Amendment Does Not Preserve the Right to A Jury Trial in the Awarding of Section 504(c)(1) Statutory Damages.

Congress intended that the court, meaning the judge, exercise flexible judicial discretion in assessing statutory damages under the Copyright Act. However, the question remains whether the Seventh Amendment preserves the right to a jury trial in an action for statutory damages, even though Congress has not permitted jury trials. Because copyright statutory damages are equitable in nature, Congress acted within its authority in requiring that statutory damages be awarded by the judge.

A. Seventh Amendment Standard

The Seventh Amendment provides that "[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved." U.S. Const. amend VII. This Court has construed this language to mean that a jury trial is guaranteed only in those actions that are analogous to "Suits at common law." *Tull*, 481 U.S. at 417. In other words, prior to the adoption of the Seventh Amendment, a jury trial was customary only in suits brought in "English law courts." *Id.*

The right to a jury trial is not unlimited. This Court has recognized that cases traditionally tried in England's courts of equity or admiralty do not require a jury trial. *Parsons v. Bedford*, 3 Pet. 433, 446-447 (1830). The simple reason that the Seventh Amendment does not guarantee a right to a jury trial in actions that were traditionally brought in equity is that the method of trial in equity was traditionally different than the method for suits in law. As Mr. Justice Story succinctly described, "Courts of Common Law . . . proceed to the trial of contested facts by means of a jury . . . [b]ut Courts of Equity try causes without a jury." J. Story, *Equity Jurisprudence*, § 31 at 27 (1918). The method of trial distinction between suits in law and suits in equity applies to both common-law forms of action and to statutory actions created by Congress when determining whether a right to jury is protected. *Tull*, 418 U.S. at 417; *Curtis*, 415 U.S. at 193.

In order to determine whether the Seventh Amendment preserves the right to a jury under a federal statute, this Court uses a three-part test for determining whether a particular action involves equitable or legal rights:

> [T]he "legal" nature of an issue is determined by considering, first, the pre-merger custom with reference to such questions; second, the remedy sought; and, third, the practical abilities and limitations of juries.

Ross v. Bernhard, 396 U.S. 531, 538 n.10 (1970). As applied in the present action, the premerger custom demonstrates that there was no precisely analogous statutory damage action prior to 1909 and that suits for injunctions and for statutory damages after 1909 were brought in equity. As to the second prong, the statutory damages scheme under the Copyright Act is equitable in nature. Finally, although this Court in *Ross* pronounced a third prong, consideration of the practical limitations of a jury trial, this prong has not been used as an independent basis for extending the right to a jury

trial under the Seventh Amendment. *See Tull*, 481 U.S. at 418 n.4 (restricting the Seventh Amendment analysis to only the first and second prongs in determining whether a statutory claim by the Federal Government seeking civil penalties and injunctive relief under the Clean Water Act is more similar to cases that were tried in courts of law than to suits tried in courts of equity).

B. Actions for Copyright Infringement Seeking Equitable Relief Were Historically Tried by the Court.

This Court's first inquiry is the comparison of the claim at issue with 18th Century actions brought in England. *Tull*, 481 U.S. at 417. Unfortunately, the comparison of modern statutory damages claims under the Copyright Act with 18th Century actions brought in England is not fruitful. *See* Stumpff, 83 Mich. L. Rev. at 1958-61. There simply were no analogous statutory damages prior to 1909. *Id.* at 1958-59. While the Copyright Act of 1909, and the Copyright Act of 1976 both provided for "in lieu" statutory damages (statutory damages as alternatives to actual damages), all prior acts had set minimum and maximum actual damages. *Id.* at 1959. Copyright infringement actions seeking statutory damages brought prior to the merger of law and equity (and after the enactment of the Copyright Act of 1909) were brought in equity. *See Broadcast Music Inc. v. Papa John's Inc.*, 201 U.S.P.Q. 302, 305 (N.D. Ind. 1979); *see also, Douglas v. Cunningham*, 294 U.S. 207 (1935); *Jewelle-LaSalle Realty Co. v. Buck*, 283 U.S. 202 (1931); *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919).

Even an attempt at the broader analysis, whether copyright claims (as opposed to copyright claims for statutory damages) were brought in equity or at law, is not helpful. *See, e.g., Brady v. Daly*, 175 U.S. 148 (1899) (discussing claims for copyright infringement of the same play brought

at law, *Id.* at 148, and in equity, *Id.* at 159); *see also* Stumpff, 83 Mich. L. Rev. at 1958. Because pre-merger copyright cases were brought in both equity, when the plaintiff sought injunctive relief and statutory damages, and in law courts, when the plaintiff sought actual damages and profits, the first prong is not dispositive.

C. The Nature of Statutory Damages Under Section 504(c)(1) Is Equitable.

As noted, copyright owners historically brought suit in both common law courts and equity courts. For statutes such as 17 U.S.C. § 504(c), where the pre-merger analysis does not provide a dispositive answer, the second prong of the *Ross* test becomes the more important factor. See *Chauffeurs, Teamsters and Helpers Local No. 391 v. Terry*, 494 U.S. 558, 570 (1990); *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 47 (1989); *Tull*, 481 U.S. at 421. Under the second part of the test, the Court considers the nature of the remedy sought to determine if it contains the attributes necessary to characterize the damages as equitable. *Chauffeurs*, 494 U.S. at 570; *see also, Ross*, 396 U.S. at 538-39.

Analysis of the nature of the remedy sought by the copyright owner requires a characterization of claims according to the remedy, rather than the subject matter or substantive rules that are involved. *See Chauffeurs*, 494 U.S. at 570; *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 477-78 (1962); *see also*, Dobbs, *Law of Remedies* 2d ed. § 26(3) p.156 (courts agree that the plaintiff's label on the claim does not control the status as an equitable or legal claim).

An analysis of the Copyright Act's remedial scheme, as initially adopted in the Copyright Act of 1909 and maintained in the Copyright Act of 1976, results in the inescapable conclusion that the copyright statutory damages provision enacted by Congress in the Copyright Act of 1976 is an equitable remedy. Moreover, because the Copyright

Act of 1976's statutory damages possess the attributes of equitable remedies, they are more properly characterized as equitable in nature.

1. The Copyright Act of 1909's "in lieu" Statutory Damages Scheme — Statutory Damages Are Different than Actual Damages.

The review of the nature of the Copyright Act's statutory damages provision should start with a common sense analysis of the structure of section 504 and its predecessor in the Copyright Act of 1909. Congress' decision to provide, at plaintiff's election, either actual damages (17 U.S.C. § 504(b)), or statutory damages (17 U.S.C. § 504(c)) demonstrates that the two forms of relief are different. By the terms of the statute, actual damages require evidence of injury before the trier of fact. *See* 17 U.S.C. § 504(b). On the other hand, a request for statutory damages can be completely detached from admissible evidence and rely solely on the discretion of the court (cabined by the statutorily prescribed maximum and minimum awards). Indeed, this Court has held that statutory damages are "something other than actual damages." *L.A. Westermann*, 249 U.S. at 106.

The strongest authority for the proposition that statutory damages are an equitable form of relief comes from this Court's cases construing the Copyright Act of 1909's remedial scheme. The "in lieu" statutory damages provision, as originally enacted in 1909, provided that the infringing party shall be liable

> [T]o pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement . . ., or in lieu of actual damages and profits such damages as the court shall appear to be just.

Copyright Statute Act, March 4, 1909, c. 320, 35 Stat. 1075.

It is important to recognize the difficulty that copyright owners have faced in addressing copyright infringement. Although this Court has never squarely addressed the issue of a right to jury trial where injunctions and statutory damages are the only relief sought, this Court has in the past examined the purpose of copyright statutory damages.

In one of this Court's earliest considerations of "in lieu" damages under the Copyright Act of 1909, this Court recognized the equitable nature of statutory damages. *See L.A. Westermann*, 249 U.S. at 106. In examining "in lieu" damages, the *L.A. Westermann* Court noted:

> The fact that these damages are to be "in lieu of actual damages" shows that something other than actual damages is intended — that another measure is to be applied in making the assessment.

L.A. Westermann, 249 U.S. at 106. In the *L.A. Westermann* decision, this Court recognized the importance of flexibility and discretion in assessing statutory damages and affirmed that the "in lieu" provision under the Copyright Act of 1909 protected something other than legal (actual) damages which were protected by the preceding provision. Statutory damages committed the amount of damages to be recovered to the court's discretion and sense of justice, not to be measured by the inflexible measuring stick of actual damages.

The discretion that Congress intended the court to use under the "in lieu" statutory damages scheme was again identified by this Court in *Douglas*. In *Douglas v. Cunningham*, 294 U.S. 207 (1935), the Supreme Court held that statutory damages are committed solely to the court. Finding that the "in lieu" damages section was adopted because

of the difficulty proving actual damages in some cases, this Court reasoned that

> [T]he phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copyright some recompense for injury done him, *in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.* In this respect the old law was unsatisfactory.

Id. 294 U.S. at 209 (emphasis added).[7]

The statutory damages provision of the Copyright Act of 1909 was again before this Court in *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228 (1952). The *F.W. Woolworth* Court added to the *L.A. Westermann* and *Douglas* delineation of statutory damages as follows:

> Few bodies of law would be more difficult to reduce to a short and simple formula than that which determines the measure of damage recoverable for actionable wrongs. The necessary flexibility to do justice in the variety of situations which copyright cases present can be achieved only by exercise of wide judicial discretion within limited amounts conferred by this statute.

Id., 344 U.S. at 232. After holding that the trial court could award a higher statutory damages award than the amount the defendant proved as gross profit from the infringement, the Court held that

> [W]e think that the statute empowers the trial court in its sound exercise of judicial discretion to determine whether on all the facts a recovery upon proven profits and damages or one estimated within the statutory limits is more just.

[7] Indeed, the *Douglas Court* went on to add that "[T]he trial judge may allow such damages as he deems to be just." *Id.* at 210.

Id., 344 U.S. at 234.

The language used in *L.A. Westermann, Douglas,* and *F.W. Woolworth* establishes the proposition that one of the purposes of copyright statutory damages is to provide a remedy for infringement in cases which would otherwise go without relief if actual damages could not be proven. This demonstrates that copyright statutory damages are equitable in nature because it is indisputable that one of the natures of equity is to provide a remedy for a wrongful act where otherwise a remedy would be unavailable.[8]

The mandatory nature of the "in lieu of actual damages" language lends additional support for denial of a right to jury. Once infringement is found, statutory damages guarantee plaintiff a minimum award absent any proof of the actual amount of pecuniary loss suffered by the plaintiff. 17 U.S.C. § 504(c). Statutory damages under the Copyright Act are awarded without reliance on proof of damages. Rather, once infringement is found, at the plaintiff's request the "court" is bound by § 504(c) to award the statutory minimum of $500 per infringement, or $200 if the defendant proves innocent intent. 17 U.S.C. § 504(c). The mandatory nature of statutory damages defeats any proposition that they are intended to be the same as actual damages because they need not be based on plaintiff's loss nor defendant's gain. Indeed the proposition that Congress intended statutory damages to be different in nature than legal actual damages finds abundant support in case law. *See L.A. Westermann*, 249 U.S. at 195-96; *Brady*, 175 U.S. at 154. The fact that the Supreme Court has characterized copyright statutory damages as providing a remedy for wrongs that would otherwise go unremedied, coupled with the broad discretion authorized

[8] *See* J. Story, *Equity Jurisprudence* § 7 at 9 (describing the deficiencies in legal systems which prompt the necessity of equity jurisdiction and the office of the judge to consider the administration of equity in contradistinction from a strict adherence to the mere letter of the law).

by Congress, establishes that statutory damages should be characterized as equitable.

Feltner's analysis of "in lieu" damages is untenable because it is contrary to the accepted definition of the term "in lieu." The term "in lieu" means "in the place of" or "instead of."[9] Feltner argues that if Congress had intended that statutory damages be something other than compensatory in nature, Congress would have used language such as "in addition to" not "in lieu," because "in lieu" means to replace or to be the same thing as. However, the simple definition of "in lieu" or "instead of" is contrary to Feltner's argument. Moreover, the term "in lieu" in the context of statutory damages was defined by this Court to mean something other than compensatory damages. *L.A. Westermann*, 249 U.S. at 106.

Although there is a split, a majority of the federal circuit courts that have considered this issue support the view that statutory damages under the Copyright Act of 1976 are equitable and thus do not guarantee a right to a jury trial. *See e.g., Oboler v. Goldin*, 714 F.2d 211, 213 (2d Cir. 1983) (concluding that the determination of statutory damages is a question for the trial judge); *Twentieth Century Music Corp. v. Firth*, 645 F.2d 6, 7 (5th Cir. 1981) (determining no constitutional right to jury trial when copyright owner seeks only minimum statutory damages award); *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1177 (9th Cir. 1977) (holding that under the Copyright Act of 1909, determination of statutory damages is a question for the judge, not the jury); *Chappell & Co. v. Palermo Cafe Co.*, 249 F.2d 77, 81-82 (1st Cir. 1957) (same); *see also, Cable/Home Communication Corp. v. Network Productions, Inc.*, 902 F.2d 829, 852-53 (11th Cir. 1990) (apparently adopting the Fifth Circuit's decision in

[9]Websters Collegiate Dictionary (10th Ed.)

Firth that in an equitable copyright infringement action seeking only minimum statutory damages and injunctive relief, there is no constitutional or statutory right to a jury trial). Other circuit courts have held that there is a right to jury in copyright statutory damages cases. *See Cass County Music Co. v. C.H.L.R., Inc.*, 88 F.3d 635 (8th Cir. 1996) (weighing the legal attributes of the statutory damages remedy against its equitable attributes and concluding statutory damages for copyright infringement are legal); *Gnossos Music v. Mitken, Inc.*, 653 F.2d 117 (4th Cir. 1981) (holding jury trial preserved under the Seventh Amendment).[10] Professor Nimmer, in his leading copyright treatise, concludes that the "better view" is that there is no Seventh Amendment right to a jury trial in a copyright case for statutory damages because such damages are equitable. 3 M. *Nimmer & D. Nimmer, Nimmer on Copyright* § 14.04[C] at 14-63 (1997).

[10]Numerous district courts have also concluded that there is no right to jury trial in an action for copyright statutory damages under the Copyright Act of 1976; *see Broadcast Music, Inc. v. Judith Penny*, 872 F. Supp. 348 (E.D. Tex. 1994); *Broderbund Software, Inc. v. Megatronics, Inc.*, 859 F. Supp. 640 (E.D.N.Y. 1994); *Raydiola Music v. Revelation Rob, Inc.*, 729 F. Supp. 369 (D.C. Del. 1990); *PGP Music v. Davric Maine Corp.*, 623 F. Supp. 472 (D.C. Me. 1985); *Rodgers v. Eighty Four Lumber Company*, 623 F. Supp. 887 (W.D. Penn. 1985); as well as the Copyright Act of 1909, *see Papa John's*, 201 U.S.P.Q. (BNA) 302; *Cayman Music, Ltd. v. Reichenberger*, 403 F. Supp. 794 (W.D. Wis. 1975). Other district courts have concluded there is a right to jury. *See Educational Testing Services v. Katzman*, 670 F. Supp. 1237 (D.N.J. 1987); *Broadcast Music, Inc. v. Moor-Law, Inc.*, 203 U.S.P.Q. 487 (D. Del. 1978); *Chappell & Co., Inc. v. Pumpernickel Pub., Inc.*, 79 F.R.D. 528 (D. Conn. 1977) (construing The Copyright Act of 1909). Other courts have taken a slightly different approach, giving the judge sole discretion in assessing statutory damages, but preserving for the jury the question of infringement. *See, e.g. Video Views Inc. v. Studio 21 Ltd.*, 925 F.2d 1010, 1014 (7th Cir.), *cert. denied*, 502 U.S. 861 (1991).

2. Statutory Damages Under The Copyright Act Have The Attributes of an Equitable Remedy.

Copyright statutory damages possess the attributes of equitable remedies and are properly characterized as equitable in nature. The classic description of equitable jurisdiction comes from this Court in a case interpreting the discretion Congress provided courts in awarding injunctions under the Emergency Price Control Act of 1942:

> The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it.

Hecht Co. v. Bowles, 321 U.S. 321, 329 (1944). The "necessities of a particular case" may involve any number of interests knotted in such a way that requires the fair hand of equity to untangle. Indeed, in *F.W. Woolworth*, this Court recognized the discretion required in actions for copyright infringement because liability may include "restitution of profits and reparation for injury . . . [and] discourage[ment of] wrongful conduct." *F.W. Woolworth*, 344 U.S. at 233.

In providing that the judge can make an award of statutory damages of between $500 and $20,000 per infringement without a finding regarding the infringer's willfulness, Congress created a statutory scheme that requires the application of significant discretion. As noted above, the assessment of statutory damages within the range provided by Congress for copyright infringement is completely discretionary. The language of section 504(c) contains no limitation as to what the judge may take into consideration in considering statutory damages. Courts have used a variety of equitable factors to define what the court should consider in assessing

statutory damages. Again, the *L.A. Westermann* Court provides guidance under the Copyright Act of 1909:

> the court's conception of what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like, is made the measure of the damages to be paid . . . Within these limitations the court's discretion and sense of justice are controlling . . .

L.A. Westermann, 249 U.S. at 106. Other courts have detailed the equitable considerations that are to be taken into account.[11] The basic distinction between law and equity is that the former is the domain of settled rules and procedures, while the latter is the consideration of what is just and right. The fact that neither Congress nor the courts have outlined strict legal rules to guide the determination of statutory damages is unmistakably indicative of equity's presence in section 504(c).

As opposed to the judge's broad discretionary powers, juries are not thought of as exercising discretion. *Papa John's*, 201 U.S.P.Q. (BNA) at 306. Instead, a jury determines issues of fact and is bound to accept and apply the rules or principles of law as instructed by the judge. B.E. Witkin, *California Procedure* § 91, at 111 (4th Ed. 1997). The greater discretion that is involved, the less likely it is that Congress would hand it to the jury. *See Albemarle Paper Co. v. Moody*, 422 U.S. 405, 443-44 (1975)

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[11] The Seventh Circuit concluded that in construing the amount of statutory damages, the district court *may* consider factors such as "the difficulty or impossibility of proving actual damages,. . . the circumstances of the infringement, . . . and the efficacy of the [statutory] damages as a deterrent to future copyright infringement." *F.E.L. Publications Ltd. v. Catholic Bishop of Chicago*, 754 F.2d 216, 219 (7th Cir.), *cert. denied* 474 U.S. 824 (1985) (emphasis added) (*citing Woolworth*, 344 U.S. at 232-33).

(Rehnquist, J., concurring). In *Albemarle Paper*, Justice Rehnquist noted that,

> [T]o the extent, then, that the District Court retains substantial discretion as to whether or not to award backpay notwithstanding a finding of unlawful discrimination, the nature of the jurisdiction which the court exercises is equitable, and under our cases neither party may demand a jury trial.

Albemarle Paper, 422 U.S. at 443; *see also, Tull*, 481 U.S. at 427 (writing for the majority, Justice Brennan wrote that "highly discretionary calculations that take into account multiple factors . . . are the kinds of calculations traditionally performed by judges") (emphasis added). Thus, the more discretion that Congress permits the court to use within a federal statute, the more likely it is that Congress is referring to the judge's equitable powers. Because of the wide discretion included in 17 U.S.C. § 504(c), it is clear the equitable discretion must be used.

Feltner argues that an award of statutory damages under section 504(c) is compensatory in the form of monetary relief and thereby constitutes a legal remedy which invokes the Seventh Amendment's guarantee of a jury trial. However, monetary relief has often been found to be within the powers of equity. Equitable remedies which take the form of monetary relief are common under various federal statutory schemes, including the Copyright Act of 1976. *See Fogerty*, 510 U.S. at 534 (court award of reasonable attorneys' fees and costs are equitable and are determined by the judge). Indeed, even in *Curtis* where this Court held that the Seventh Amendment guarantees a jury trial in an action for statutory damages under section 812 of the Civil Rights Act of 1968, a unanimous Court cautioned that "[W]e need not, and do not, go so far as to say that any award of monetary relief must necessarily be 'legal' relief." *Curtis*, 415 U.S. at 196.

The broad discretion that Congress intended to provide trial judges in awarding statutory damages under the Copyright Act has been likened to the discretion afforded judges in the award of backpay under Title VII of the Civil Rights Act. See Stumpff, 83 Mich. L. Rev. at 1964. Under Title VII, "the court may . . . order such affirmative action as may be appropriate, which may include, but is not limited to, reinstatement or hiring of employees, with or without back pay . . ., or any other equitable relief as the court deems appropriate." 42 U.S.C. § 2000e-5(g) (1997). Courts interpreting the backpay provision consistently deny the right to a jury trial. *Chauffeurs*, 494 U.S. at 572 (assuming without deciding that Title VII backpay plaintiff has no right to a jury trial); *see also, Lorillard*, 434 U.S. at 581-582; *Lytle v. Household Mfg. Inc.*, 494 U.S. 545, 549 n.1 (1990) (assuming, without deciding, no right to jury trial). Title VII backpay cases recognize that the nature of the backpay remedy Congress authorized was restitutionary in nature and gave the court great discretion in their assessment. Indeed, Congress bestowed upon judges equitable powers under Title VII "as part of a complex legislative design directed at a historic evil of national proportions." *Albemarle*, 422 U.S. at 416.

Similarly, statutory damages under the Copyright Act require the application of equitable discretion. These equities include the connection of counterfeiting to organized crime and safety hazards and the direct loss of jobs to illicit counterfeiting. The flexibility of section 504(c) statutory damages, which permits consideration of multiple factors, balancing of the equities and concern for enforcement of the entire copyright legislation, are all characteristics that legal remedies do not possess.

CONCLUSION

For the foregoing reasons, this Court should affirm the 9th Circuit's decision.

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Respectfully submitted,
PETER W. JAMES*
ANTHONY M. KEATS
LARRY W. MCFARLAND
DAVID K. CAPLAN
BAKER & HOSTETLER LLP
9150 Wilshire Boulevard
Suite 205
Beverly Hills, CA 90212-3411
(310) 385-7500

*Counsel of Record

Counsel for International AntiCounterfeiting Coalition, Inc., amicus curiae